London Capital Group Holdings PLC
21 February 2007

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LONDON CAPITAL GROUP HOLDINGS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

London Capital Group Holdings plc ("LCG", the "Company" or the "Group") announces preliminary results for the year ended 31 December 2006. LCG is a rapidly growing financial services company offering online trading services.

2006 Highlights:

- Turnover up 78% to £8.65 million (2005: £4.86 million)
- EBITDA* up 144% to £4.03 million (2005: £1.66 million)
- Operating profit (before share option reserve) up 142% to £3.87 million (2005: £1.60 million)
- Strong EBITDA margin of 47% up from 35% in 2005
- Adjusted earnings per share up 122% to 7.3p (2005: 3.3p)
- Maiden dividend of 1.7p per share
- No debt and cash resources of £3.35 million up from £1.67 million in 2005
- Average daily spread betting trades up 120% to 4,314
- Number of live financial spread betting client accounts increased 95% to 8,708
- Forex monthly trading volumes increased significantly during the year rising from US$1.3 billion in January 2006 to US$13.2 billion in December 2006
- Current trading is strong

Commenting on the results, Frank Chapman, Chairman and Chief Executive Officer, said:

"2006 was a year of significant expansion for LCG. We have enhanced the scalability of our various businesses and have laid the foundations for the future growth of the Group. At the same time we have contained overheads, delivered improved shareholder value and proposed a maiden dividend."

*EBITDA represents earnings before exceptional administration costs, share option reserve, depreciation, taxation, interest receivable on corporate cash balances and includes interest receivable on clients' money net of interest payable to clients.

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Print resolution images are available for the media to view and download from
www.vismedia.co.uk

Notes to Editors:

London Capital Group Holdings plc (LCG) is a rapidly growing financial services company offering online trading services. Its core activity is the provision of spread betting products on the financial markets to retail clients under the trading name Capital Spreads. Its other divisions provide online foreign exchange trading services to institutional and intermediate clients under the Capital Forex brand and institutional derivatives broking under the name Capital Derivatives.

London Capital Group Limited, a wholly owned trading subsidiary of LCG is regulated and authorised by the Financial Services Authority. It has a European passport and is a member of the London Stock Exchange, Liffe, Eurex and Euronext, giving it direct access to all European markets. London Capital Group Limited also has access to international markets through its global clearing relationships.

LCG floated on the London Stock Exchange's AIM market on 22nd December 2005 at an issue price of 82p. LCG is included in the General Financial sector (8770) and Speciality Finance sub sector (8775) and has a RIC code of LCG.L.

Chairman and Chief Executive Officer's Statement

Introduction

The Group has had another successful and very exciting year in 2006, both in terms of profit and business development. We have laid the foundations for the future expansion of the company, having invested substantially in people, IT and infrastructure during the year. Simultaneously, we have more than doubled our EBITDA and operating profit compared to 2005.

Results

Our businesses all performed robustly in 2006 with Group turnover rising by 78% to £8.65 million. EBITDA was up 144% to £4.03 million and operating profit also rose by 142% to £3.87 million. Both the EBITDA and the operating profit are stated before recognising expenses of £0.54 million relating to the creation of a share option reserve for the first time in 2006. Net cash inflow from operating activities increased to £13.23 million from £5.63 million in 2005.

This performance reflects the increased number of spread betting accounts and trades, which averaged 278,000 trades per quarter during the year (2005: 129,000 trades per quarter), a like for like increase of 115%. Furthermore, the Capital Forex division which commenced activities in late 2005 has generated significant momentum during the year. In the second half of the year the average trade ticket size was over US$2 million and trading activity increased from US$2.1 billion in the fourth quarter of 2005 to US$38.7 billion in the same quarter of 2006.

The Capital Derivatives division had a good year in an increasingly competitive market, showing an increase in volumes of 20% over 2005.

We appointed a Group Finance Director in the fourth quarter of 2006 and his fuller financial review follows this statement.

Dividend

The Group's policy is to pay dividends which reflect the earnings, cash flow and potential of the Group.

The Board confirms that the Group proposes to pay a full year dividend of 1.7p per share on 20 April 2007 to ordinary shareholders on the register on 30 March 2007. The dividend is subject to approval at the Annual General Meeting to be held on 19 April 2007.

Operating Review

Capital Spreads and Binary Bets

Capital Spreads, our financial spread betting business, has continued to enjoy exceptional growth during the period with the number of live accounts having grown from 4,456 at 31 December 2005 to 8,708 at 31 December 2006 and trading volumes were also up 115% in 2006.

Whilst our marketing activity plays a significant part in building our client base, our reputation means that in excess of 50% of Capital Spreads clients are acquired via word of mouth or recommendation. These clients are attracted to our highly regarded and popular service due in great part to our commitment to some of the tightest spreads in the industry.

It remains our policy not to accept bets from US resident clients.

Capital Forex

Capital Forex has enjoyed an excellent year with substantial growth in trading, culminating in a large increase in month-on-month volumes from the middle of 2006 through to the end of the year. The division achieved daily turnover in excess of one billion dollars on several occasions in November and December, leading to an impressive increase in profitability along with a large influx of new enquiries from potential clients of all sizes. Trading activity in Capital Forex increased to US$38.7 billion in the fourth quarter of 2006 from US$2.1 billion in the same quarter in 2005.

Capital Forex with its excellent liquidity, pricing and hands-on personal customer support, has generated favourable reviews throughout the forex community leading to significant interest in the product.

Notably, the marketing budget for the year was minimal yet the division signed up in excess of 100 new institutional and professional clients. The average trade ticket size of over US$2 million in the second half of the year is particularly pleasing and should encourage more institutional customers to open accounts.

Given these facts, the Board reasonably expects the forex division to enjoy continued growth throughout 2007 and beyond.

Capital Derivatives

In an increasingly competitive market Capital Derivatives increased volumes by 20% during 2006.

In the third quarter of 2006 some major new institutional clients were signed up and the division was further strengthened by the arrival of experienced new personnel.

During the first quarter of 2007 expansion into the institutional equities market is planned by offering both cash and equity derivative broking. This will broaden the reach and client base of the division with further growth expected in 2007.

Growth Strategy

Our growth strategy in spread betting remains organic, augmented by white label partnerships and global expansion.

During 2006 we launched white labels in South Africa, Scandinavia and Greece and have now translated the spread betting platform into German, French, Dutch and Chinese. With the implementation of new European directives during 2007, the Group plans to market Capital Spreads products throughout Europe with associated growth arising from this region in 2008. As the benefits of trading via a spread betting platform become more evident globally, Capital Spreads is very well placed to take advantage of its strong brand name, reputation and quality product offering and will continue to be a major player in this sector.

The forex division will continue to concentrate on its institutional customer growth, marketing its platform to major institutions internationally. In addition, we plan to launch a more retail-focused forex trading platform in the second quarter of 2007 delivering our superb liquidity to a more broadly-based market.

Capital Derivatives is highly respected in the industry for its options expertise and plans to continue to capitalise on this during 2007.

We are also preparing for the impact of the new European MiFID (Markets in Financial Instruments Directive) and Capital Adequacy directives which will come into force during the latter part of 2007.

Employees

On behalf of the Board, I would like to thank all our employees including divisional heads for their continued contribution, hard work and support during the past year. Our business would not have achieved these impressive results without their effort and dedication. Our employee numbers have risen from 17 to 33 during 2006, in line with the expansion of the business.

The increase in employee numbers, together with the expiry of our lease, prompted the requirement for improved office space and facilities. As a result, in August 2006, the Group relocated offices to 12 Appold Street, London where we were able to build and install the new IT infrastructure needed to support the scalability of our predominantly electronic businesses going forward.

We firmly believe that our employees are our most valuable asset and, in recognition of this, we have introduced the Group share option scheme.

My thanks also go to my fellow Board members and senior management for all their efforts. I would also like to take this opportunity to welcome Raj Gandhi, our new Group Finance Director, to the team.

Pending the appointment of new non-executive directors, both the Audit Committee and the Remuneration Committee will be chaired by Rachel Woodford with the supporting member for each committee being Simon Denham and Raj Gandhi respectively.

Current Trading and Outlook

2006 was a year of significant momentum for LCG, with strong organic growth in its main trading divisions and major investment in scalable infrastructure, preparing the platform for continued future growth in 2007 and beyond. Capital Spreads continues to attract new customers at an encouraging rate and Capital Forex is also growing rapidly in an expanding market.

Overall we are delighted with the progress made by the Group and we remain confident that 2007 will deliver further shareholder value.

Frank Chapman
Chairman and Chief Executive Officer

21 February 2007

Group Finance Director's Review

Firstly, I would like to thank Frank and my fellow directors for welcoming me to the Board.

I am delighted to report on the financial performance of the Group for 2006, its first full year of reporting as a quoted company. These are exciting times for LCG with many opportunities for growth and expansion ahead.

The Group continues to grow at a rapid pace across its main divisions and this is reflected in all key financial metrics. The turnover from our continuing business rose by 78% to £8.65 million from £4.86 million last year.

As a result, EBITDA increased by 144% to £4.03 million (2005: £1.66 million) and is stated before recognising an expense of £0.54 million (2005 - Nil) relating to the share option reserve. This reserve was created for the first time during the year and arises from the adoption of FRS 20: Share Based Payment.

EBITDA represents earnings before exceptional administration costs, share option reserve, depreciation, taxation, interest receivable on corporate cash balances and includes interest receivable on clients' money net of interest payable to clients.

The EBITDA margin was 47% up from 35% in 2005 and represents EBITDA as a percentage of turnover. This clearly demonstrates our ability to benefit from operational gearing.

The operating profit, before the expense relating to the share option reserve, rose to £3.87 million (2005: £1.60 million) representing an increase of 142%. After adjusting for the share option reserve, operating profit rose by 108% to £3.33 million (2005: £1.60 million).

Net cash inflow from operating activities increased to £13.23 million from £5.63 million in 2005. Earnings per share also increased by 122% to 7.3p from 3.3p in 2005.

Both the Capital Forex and the Capital Derivatives divisions are operated under a profit share arrangement with managers who head up each division. As a result the profit generated by the turnover is shared and the operating profit is stated after the deduction of such profit share.

The Group maintains a low cost operation by comparison with other companies in our sector because of the continuing use of an outsourcing model.

We are pleased to report the Group had no debt at the year end, the same as in 2005, and cash resources of £3.35 million up from £1.67 million in 2005, after allowing for normal business running costs and large payments made for capital expenditure and corporation tax. This demonstrates a high conversion rate of profit into cash.

The Group will seek approval, at its Annual General Meeting, for its maiden final dividend for 2006 of 1.7p per share resulting in total dividends for the year of £650,000. This represents a dividend cover of 4.3.

These results have been reported under UK GAAP. The Group will be adopting international accounting standards in 2007 and future results will therefore be reported under IFRS.

Raj Gandhi
Group Finance Director

21 February 2007

GROUP PROFIT & LOSS ACCOUNT
For the period ending 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover - continuing		8,651	4,861
GROUP TURNOVER	2	8,651	4,861
Cost of sales		1,798	1,085
GROSS PROFIT		6,853	3,776
Administrative expenses excluding depreciation		2,819	2,117
EBITDA		4,034	1,659
Depreciation		164	56
OPERATING PROFIT BEFORE SHARE OPTION RESERVE		3,870	1,603
Equity - settled share based payment: recognition of expense		541	-
OPERATING PROFIT		3,329	1,603
Interest receivable		45	21
Interest payable and similar charges		(2)	(1,121)

PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,372	503
Tax on profit on ordinary activities	968	199
RETAINED PROFIT FOR THE FINANCIAL PERIOD	2,404	304

GROUP BALANCE SHEET
As at 31 December 2006

	2006	2005
	£'000	£'000
FIXED ASSETS		
Intangible assets	9,303	9,303
Tangible assets	1,655	276
	10,958	9,579
CURRENT ASSETS		
Debtors	2,225	1,044
Cash at bank	16,622	5,592
	18,847	6,636
CREDITORS: Amounts falling due within one year	16,464	5,737
NET CURRENT ASSETS	2,383	899
TOTAL ASSETS LESS CURRENT LIABILITIES	13,341	10,478

PROVISIONS FOR LIABILITIES

	2006	2005
Deferred taxation	-	82
	13,341	10,396
CAPITAL AND RESERVES		
SHAREHOLDERS' FUNDS	13,341	10,396

GROUP CASH FLOW STATEMENT
For the period ended 31 December 2006

	2006	2005
	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13,225	5,627
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	45	21
Interest paid	(2)	(1,121)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	43	(1,100)
TAXATION	(695)	-
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	-	(9,303)
Payments to acquire tangible fixed assets	(1,543)	(132)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(1,543)	(9,435)
ACQUISITIONS		
Payments to acquire group companies	-	(6,324)

NET CASH OUTFLOW FROM ACQUISITIONS	-	(6,324)
EQUITY DIVIDEND PAID	-	(242)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	11,030	(11,474)
FINANCING		
Issue of equity share capital	-	3,829
Share premium on issue of equity share capital	-	11,607
NET CASH INFLOW FROM FINANCING	-	15,436
INCREASE IN CASH	11,030	3,962

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£'000	£'000
Operating profit	3,329	1,603
Depreciation	164	56
Increase in debtors	(1,138)	38
Increase in creditors	10,329	3,930
Share option reserve	541	-
Net cash inflow from operating activities	13,225	5,627

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005

	£'000	£'000
Increase in cash in the period	11,030	3,962
Movement in net funds in the period	11,030	3,962
Net funds at 1 January	5,592	1,630
Net funds at 31 December	16,622	5,592

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2006	Cash flows	At 31 Dec 2006
	£000	£000	£000
Net cash:			
Cash in hand and at bank	5,592	11,030	16,622
Net funds	5,592	11,030	16,622

Notes to Financial Statements

1. Basis of preparation

Financial information in this report has been prepared in accordance with accounting policies consistent with those adopted in the 2005 financial statements.

The results for the year ended 31 December 2006 do not constitute statutory accounts as defined in section 240 (5) of the Companies Act 1985. They are extracted from the full statutory accounts for the year which were approved by the Board of Directors on 20 February 2007, but which have not been delivered to the Registrar of Companies. The report of the Auditors on these accounts is unqualified and does not contain a statement under section 237 (2) or 237 (3) of the Companies Act 1985.

2. Turnover is stated net of spread betting brokerage and hedging costs:

	2006	2005
	£000	£000
Spread betting income	7,112	4,242
Forex income	1,380	-
Brokerage income	905	1,066
Turnover - continuing	9,397	5,308
Gross group turnover	9,397	5,308
Spread betting brokerage and hedging costs	(746)	(447)
Net group turnover	8,651	4,861

3. Earnings per share

Basic EPS

	2006	Pro forma 2005
	£	£
Profit after tax	2,404,000	304,000
Weighted average no of shares	38,292,683	38,292,683
Weighted average basic EPS	6.3p	0.8p

Diluted EPS
Pro forma

	2006	2005
	£	£
Profit after tax	2,404,000	304,000
Weighted average no of shares	41,199,304	38,360,251
Weighted average fully diluted EPS	5.8p	0.8p

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Diluted earnings per share is the basic earnings per share after allowing for the dilative effect of the conversion into Ordinary shares of the weighted average number of options outstanding during the period.

The 2005 comparatives for both the basic and diluted EPS have been stated on a pro forma basis as they provide a more meaningful number, given the Group was floated in December 2005. On a non-pro forma basis, EPS would have been 16.1p (basic) and 15.5p (diluted).

Adjusted EPS	2006	2005
	£	£
Profit after tax	2,404,000	304,000
Add:		
Share option reserve	541,000	
Exceptional items	-	262,000
Interest payable	-	1,121,000
Tax effect on the above adjustments	(162,000)	(415,000)
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Adjusted profit after tax	2,783,000	1,272,000

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Issued no of shares at the period end	38,292,683	38,292,683
Adjusted EPS	7.3p	3.3p

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The adjusted EPS has been calculated using normalised earnings per share and

using the shares in issue at the end of the year, as this will be more
comparable with future years. Normalised earnings represent earnings adjusted,
net of tax, for the share option reserve, exceptional items and non-recurring
interest payable.

Note 1: Prices and trades are delayed by at least 15 minutes.